

That means that instead of paying 5s. 10d. in the pound on £10,000 he is only paying 3s. 2d. on £4,000, and so saving 2s. 6d. in the pound?—Yes, that is a difficulty I propose to get over.

So that at the present time, in that 30 per cent. there is no graduation on personal incomes?—They are not availed of to the same extent as that.

I think they are. Well now, the English system is practically based on the personal income?—No, not now. Since the war came on they have had to depart from that.

In England the companies pay a standard rate, and they only pay that on their undivided profits, because the shareholders adjust with the Department?—Yes.

Now, the standard rate is not a maximum rate. At the present time it is 4s. 6d., but the individual pays a super-tax on top of that of 6s.; so that the standard rate is somewhere about the average rate of payment?—Yes.

So that a company in England only pays on its undivided profits an average rate?—Yes; but it pays the corporation-tax in addition. When the strain of the war came on it paid excess-profits duty.

That was a war-tax?—Yes.

But the corporation-tax is a very small thing?—It is comparatively small, but it has caused a great deal of complaint.

To show you how small it is, whereas the corporation-tax of this country was 70 per cent. of your total income-tax collected, their income-tax was last year £280,000,000, super-tax £58,000,000, and corporation-tax £20,000,000. So that it was only about 5 per cent. of the total, whereas here it is 70 per cent. of the total. Now, you know the great objection that has been taken to the corporation-tax in England although it is such a small tax. I will read you a few of the objections. After the corporation-tax was introduced, Sir Robert Horne, who was Chancellor of the Exchequer, is quoted in the London *Weekly Times* of the 5th April last year as saying that he strongly advocated the removal of that most unjustifiable tax, the corporation profits tax. In the *Bankers' Magazine* of May last Mr. Baldwin, who was Chancellor of the Exchequer at that time, is quoted as saying: "At the same time I feel that I must make some change in the corporations profits tax. Every one admits that this is not a good tax. Many think that it bears exceptionally heavily on enterprise and industry. We cannot give it up entirely, but I propose to reduce it by one-half, reducing the rate from 1s. to 6d. in respect of all profits arising after 30th June next." That is what the then Chancellor of the Exchequer said about the corporations profits tax, which only produced 5 per cent. of the total income-tax: what would he say about one that produced 70 per cent.?—He would probably say the same, but I do not agree with him.

Then, that same issue of the *Bankers' Magazine*, in an editorial, said: "The only small surprise in the Budget was really that contained in the immediate halving of the corporations profits tax. The unsoundness and inequity of that measure has, of course, been universally recognized, but it was feared that any relief would be deferred for another twelve months. As a matter of fact, however, the halving of the tax only comes into operation as from the end of June, which means that the loss to the Exchequer during the current year will be trifling, hence Mr. Baldwin's inability to make the remission at once. The great advantage, however, of his so doing lies in the fact that the general intent of the Government towards the impost is clearly revealed, so that its absolute remission within a reasonable space of time is now a foregone conclusion. That being so, we have at once the fact, which no doubt was the object of the Chancellor—namely, of business enterprise in joint-stock form receiving a further stimulus from the Budget statement. In fact, it was quite clear, both from the matter in the Budget and the manner of its delivery, that stimulus to industrial activity quite as much as actual relief to the taxpayer was foremost in the minds of those who framed the Budget." You think, Mr. Clark, that that opinion is wrong?—What else would you expect from that source? It is an interested source.

It is the *Bankers' Magazine*?—Yes. It refers to the stimulus of corporate industry: why should there not be some stimulus to private industry?

But there are many things that cannot be done by private enterprise—things that need a large amount of capital?—Why should you handicap private enterprise while encouraging the development of corporate enterprise?

I am just putting before you the opinions of Sir Robert Horne and Mr. Baldwin on the very small corporations profits tax compared with your opinion on a very big one?—Yes.

Have you read the report of the Commonwealth Commission on Australian taxation of two years ago? On page 82 of their second report they dealt with the taxation of companies' profits without adjustment and the exclusion of dividends from shareholders' returns?—Yes.

That is the same system as we have?—Yes.

That Commission was unanimous on very few things, but on this point they did reach a unanimous finding. They say this: "There is no need to traverse the arguments advanced in support of the method under discussion, beyond saying that its comparative simplicity and greater productiveness are purchased at the cost of so great a degree of inequity that we have no hesitation in unanimously deciding that it is a method that cannot be recommended for inclusion in a system of taxation which it is intended should rest upon 'a sound and equitable basis.'" You do not agree with that?—Neither does the Commonwealth Government.

Well, the Commonwealth Government has adopted it?—No; they are only charging 2s. 6d. in the pound. They are charging 1s. in the pound on total profits, and the dividends are assessed to the shareholders.

When did that come in?—Last year. The charge is 1s. under the Federal Government and various rates under the State Governments. The maximum fixed by the Federal Government is 2s. 6d. in the pound, and the States have the right to charge whatever rate they wish on the companies, and the dividends are assessed in addition.